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INTRODUCTION

The Cheboygan County Friend of the Court (FOC) had a contract with the Michigan Family Independence Agency (FIA) to enforce all orders of support over which the Cheboygan County FOC had jurisdiction, to locate absent parents, and to provide certain reports on child support collections to the FIA. The Cheboygan County FOC billed FIA monthly under the actual cost reimbursement billing method. The FIA reimbursed Cheboygan County for their costs based on the Federal IV-D Program regulations.

SCOPE

We performed an audit of the costs submitted for reimbursement by the Cheboygan County FOC for the period January 1, 1999 through September 30, 1999. Our audit was conducted in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We performed the audit tests that we determined were necessary to determine if the costs charged were proper, accurate, documented, and charged in accordance with the terms of the contract.

EXECUTIVE SUMMARY

We found that the Cheboygan County FOC underbilled the FIA for some line items and overbilled for others. The County share of the net amount underbilled is \$4,879. (See Schedule A.) We also found that the Cheboygan County FOC did not comply with the escheat policy outlined in FOC letter 99-025.

Our report recommends that in the future the Cheboygan County FOC bill the correct amount to the FIA and that Cheboygan County complies with the escheat policy.

FOC RESPONSE

The Cheboygan County FOC indicated in a letter dated June 6, 2001 that they have accepted the findings, changes have been made, and current bills are accurate. The Cheboygan County FOC also indicated that they would comply with the escheat policy. The Cheboygan County FOC indicated they would submit an amended billing for the underbilled amount shown in this audit report.

FINDINGS

Personnel-Accumulated Leave Payoff

1. The Cheboygan County FOC overbilled \$1,406 for accumulated leave pay. The accumulated leave payoff of an employee was charged directly to the FOC department and billed to the FIA. Accumulated leave payoffs was also allocated to county departments, including the FOC, through the Cheboygan County 1999 Indirect Cost Plan (used to bill the FIA in 2001). The same cost cannot be billed both directly and as an indirect cost. Under Attachment B, Section 11.d (3) of OMB Circular A-87 (A-87), termination accumulated leave payoff must be allocated as a general administrative expense. Therefore, the 1999 Indirect Cost Plan allocation is an acceptable method under A-87. The direct charge is disallowed. (See Schedule A.)

Personnel-Retirement not Billed

2. The Cheboygan County FOC underbilled the FIA \$7,698 for retirement costs. Cheboygan County paid retirement costs for its FOC employees but did not bill the cost to the FIA. (See Schedule A.)

Personnel-Hospitalization

3. The Cheboygan County FOC underbilled \$1,736 for hospitalization opt-out (payment to employees that do not participate in the County's health insurance). The hospitalization opt-out is an allowable cost. (See Schedule A.)

Personnel – Workers' Compensation

4. The Cheboygan County PA overbilled FIA \$915 for Workers' Compensation. Workers' Compensation was billed using the internal County rates contained in a fringe benefit register. The internal County rates did not accurately allocate the actual cost of workers' compensation. (See Schedule A.)

The workers' compensation rates used in the fringe benefit register were not reduced by the County's experience modification. The amount the County actually pays for workers' compensation is the amount after it has been reduced by the experience modification.

Workers' compensation costs were not offset by the workers' compensation refund the County received. A-87, Attachment A, Section C.1.i requires costs to be net of applicable credits. (See Schedule A.)

The workers' compensation costs were accounted for in a trust and agency fund. A-87 Attachment B, Section 25.d and Attachment C, Section G.2 define the allowable reserves for a self-insurance fund. The balance in the workers' compensation portion of the trust and agency fund was \$149,443. We calculated \$9,039 as the allowable level of reserves under the 60-day working capital requirement of Attachment C, Section G.2. The FOC share of the excess reserves was disallowed.

Data Processing

5. The Cheboygan County FOC overbilled \$370 for data processing related costs. The FOC billed for the purchase of operating system software and an Internet service provider. All data processing costs must be reported in the Data Processing line item per Section IV.C.2 of the CRP Application Instructions. Also data processing costs eligible for CSES reimbursement cannot be charged to the CRP contract per Section IV.C.2 of the CRP Application Instructions (as further clarified in FOC Letter 2000-006). (See Schedule A.)

Escheat

6. The Cheboygan County FOC did escheat funds in November 2000. The County included checks dated through December 31, 1998 in their escheat process. Per FOC letter 99-025 the County should have included payments receipted through June 30, 1999 (amounts received, without activity for a year at June 30, 2000).

WE RECOMMEND the Cheboygan County FOC bill the correct amounts in the future.

WE ALSO RECOMMEND that Cheboygan County comply with the escheat policy.

Finding #	Line Item	Audit Period	(Over)/Under Billed Gross Amount	IV-D %	(Over)/Under Billed IV-D Amount	State %	Due (State) County
1	Personnel	1/1-9/30 1999	\$ (1,445)	97.30%	\$ (1,406)		
2	Personnel	1/1-9/30 1999	\$ 7,911	97.30%	\$ 7,698		
3	Personnel	1/1-9/30 1999	\$ 1,785	97.30%	\$ 1,736		
4	Personnel	1/1-9/30 1999	\$ (941)	97.30%	\$ (915)		
5	Other Direct	1/1-9/30 1999	\$ (380)	97.30%	\$ (370)		

Grand Total of the IV-D Audit Adjustments

\$ 6,743

Calculation of the Payment Due the (State) County

Audited IV-D Amount 182,120

IV-D Amount Used for the Payments Actually Made 175,376

IV-D Audit Adjustment Due (State) County

\$ 6,743 72.36% \$ 4,879